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SAPC 17855

Copy 2 of 4

29 July 1957

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The Rand-Wooldridge Corporation  
Los Angeles 45, California

Gentlemen;

Reference is made to your letter dated 17 July 1957 requesting approval of revised billing rates retroactive to January 1, 1957, subject to revision at the end of the third quarter if necessary, or as circumstances dictate,

The following rates are hereby approved:

Aeronautical and Electrical }  
Research Laboratories }

Computer Systems  
Control Systems  
Communications  
Research Development  
Pilot Line  
General and Administrative \*

G. M. R. D.

Electronic I instrumentation

Company General and Administrative  
(Percentage of Total Cost of sales)

\* includes Company General and  
Administrative expenses of [ ]

The aforementioned rates are for billing purposes only and subject to further change.

Very truly yours,

SA/PC/DCI [ ]:bas

Distribution:

Orig. - [ ]

2. - [ ] A-101 Approvals w/SAPC 17700

3. - Finance

4. - Chrono

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SAPC 17700

COPY 1 OF 1

17 July 1957

CMCC Doc. No. 151X5.635

Copy 1 of 2Page 1 of 2

Dear Dan:

With six months of the calendar year behind us, we have been taking a careful look at our Overhead and General & Administrative Expenses and have been appraising the results in relation to the forecasts we made earlier this year. Although the total dollar amounts of expenses for the period January through June are only slightly higher than our forecast, and monthly expenses are currently less than forecasted, the ratios of indirect expense to the direct labor base are higher than planned. This is due to the fact direct labor could not be increased as rapidly as planned and because it was necessary to incur increased indirect labor and overhead expenses in advance of the corresponding increases in direct labor during this period of rapid growth.

It is now probable that our planned manpower levels will be realized during the months of July and August, and we expect that the ratio of indirect to direct costs will adjust to the desired proportions during the latter half of this year. The net results of these differences from our earlier forecast are: (1) actual expenses are in excess of costs recoverable on current business using the provisional billing rates established earlier this year, and (2) the cumulative Overhead and G & A rates which we now believe can be achieved by year end are higher than those formerly anticipated. It should be pointed out that although the current picture is not as optimistic as we thought was possible earlier this year it is still a considerable improvement over the results for the calendar year 1956. We now believe that we planned a greater reduction in rates than it was practical to achieve in one year.

In our letter of January 30, 1957 (CMCC Doc. No. 151X5.415) we stated that our forecast of Overhead and General & Administrative Expense rates for 1957 were as follows:

	<u>R &amp; D</u>	<u>Pilot Line</u>
25X1      Overhead	<div style="border: 1px solid black; width: 200px; height: 40px;"></div>	
G & A Expense		

Today our forecast of expense rates has been revised to the following:

	<u>R &amp; D</u>	<u>Pilot Line</u>
25X1      Overhead	<div style="border: 1px solid black; width: 200px; height: 40px;"></div>	

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CMCC Doc. No. 151X5.635

Copy 1 of 2

Page 2 of 2

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These rates compare with a single overhead rate for the Division during 1956 of  and a General and Administrative Expense rate of

In view of the higher actual expenses during the first few months of the year, we have requested and obtained approval of the Resident Air Force Administrative Contracting Officer to revise the billing rates as follows in order to recover the costs incurred more currently:

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Overhead  
G & A Expense

R & D		Pilot Line	
From	To	From	To

The G & A Expense is a composite figure for Division Administrative Expense and Corporation General and Administrative Expense.

Attached is a copy of our letter to the Administrative Contracting Officer, which contains his approval endorsement. We request your permission to bill costs incurred on Contract A-101 at these new interim rates. Commencing with the next group of vouchers submitted we will utilize the new rates in order to not delay the billing process.

Sincerely,



Bob

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